

Message Text

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46

ACTION TRSE-00

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

H-03 PRS-01 PA-03 USIA-15 RSR-01 /160 W

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R 231223Z JUL 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6445

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

AMEMBASSY BERN

AMEMBASSY ROME

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: SITUATION ON THE INTERNATIONAL CURRENCY
MARKETS

1. IN TODAY'S COMMENTARY ON THE INTERNATIONAL MONEY
MARKETS THE RESPECTED BLICK DURCH DIE WIRTSCHAFT
REPORTS THAT ONE AGAIN SEEMS TO SEE INDICATIONS IN
THE CURRENCY MARKETS THAT GOVERNMENTS AND CENTRAL BANKS
OF SMALL NON-EUROPEAN COUNTRIES ARE SWITCHING DOLLAR
RESERVES INTO OTHER CURRENCIES. THE PAPER COMMENTS
THAT IN THIS SITUATION IT IS UNDERSTANDABLE THAT THE
CENTRAL BANKS OF THE US AND THE MAIN EUROPEAN COUNTRIES
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ARE NOT PREPARED TO FURTHER FACILITATE THIS ASSET

SWITCHING THROUGH MASSIVE DOLLAR PURCHASES.

2. BLICK DURCH DIE WIRTSCHAFT ALSO COMMENTS THAT THE RECENT STRENGTH OF THE DM HAS BEEN BASED TO A CONSIDERABLE EXTENT ON THE VERY TIGHT GERMAN MONEY MARKET WHICH IS AGAIN SEEING DAILY MONEY RATES OF 20 TO 30 PERCENT AND IS FORCING GERMAN BANKS TO TAKE UP MONEY ON THE EURO-MARKET.

3. THE PAPER CONCLUDES THAT NO SOLUTION TO THE MONETARY PROBLEM IS AS YET IN SIGHT AND IT SEEMS LIKELY THAT THE MARKETS WILL HAVE TO SETTLE DOWN TO A LONG PERIOD OF UNCERTAINTY DURING WHICH ONE CAN ONLY HOPE THAT MARKET FORCES EVENTUALLY WILL BRING ABOUT AN EQUILIBRIUM. THE PAPER COMMENTS THAT THIS PROCESS OF REACHING A MARKET EQUILIBRIUM IS LIKELY TO BE MADE MORE DIFFICULT AND LENGTHY TO THE EXTENT TO WHICH MARKET FORCES ARE PREVENTED FROM OPERATING BY DIRIGISTIC MEASURES.

HILLENBRAND

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